This Top TSX Growth Stock Is on My 2020 Christmas Wish List!

**Description**

**TSX** growth stocks have outshined the rest in 2020. Even with markets rotating to more cyclical stocks, growth stocks have continued to perform strongly in December. Many of these stocks have demonstrated that, in some respects, they are safer than boring, old safety stalwarts like banks and pipelines. While I recommended investors have exposure to both segments of the market, I want to highlight one TSX growth stock that is sitting at the top of my Christmas wish list.



## Enghouse Systems

**Enghouse Systems** (TSX:ENGH) has performed incredibly well in 2020. Year to date, its stock is up over 40%. If you had bought it during the March market crash, you could be up almost 90%! Although Enghouse may not be as well known or talked about like some of its other "hot" tech peers (**Shopify**, **Docebo**, or **Lightspeed**), it has created amazing returns for investors over the years. Had you put $10,000 into this TSX growth stock 10 years ago, it would be worth almost $170,000 today. Its 1,618% returns made it one of the top-performing TSX stocks last decade.

## This growth stock isn't flashy or catchy

I like this TSX growth stock, because it doesn't have a flashy website or a young, exuberant CEO. It just gets the job done and it does that year in and year out. That is evidenced in Enghouse's recently announced fourth-quarter and year-end results.

In the year, this TSX growth stock grew revenues by 30.6% to a record breaking $503 million. Likewise net income, adjusted EBITDA, and cash flows from operations increased 39.2% (to $1.77/share), 53% (to $176 million), and 50.6% (to $178.5 million), respectively. It ended the year with no debt and $251 million of cash in the bank — an increase of $150 million!

Enghouse strategically had a perfect product mix that accommodated remote work and work-from-home business operations. Whether it be its Vidyo conferencing application or its visual computing solutions, Enghouse was in the right place at the right time for the pandemic.

Enghouse has been impacted by the pandemic as well. Travel and health restrictions have slowed down its acquisition pipeline. Generally, Enghouse has built its cash balance and then quickly deployed it into accretive tuck-ins and acquisitions. The pandemic has largely prevented this. So far, it only deployed $44 million into the Dialogic acquisition early this year. Consequently, its operating margins have expanded beyond what is normal, enabling Enghouse to pump out elevated amounts of cash this year.

## This stock gives you growth and cash in your pocket!

Just think: this TSX growth stock not only produced 39% earnings growth, but it produced a 30% free cash flow margin! It's really impressive. With most other tech growth stocks, you'd be lucky to get positive EBITDA returns, not even considering net earnings and a dividend. Oh yes, and did I mention? The company is going to reward its shareholders by paying out a special $1.50/unit dividend. It's a sweet little 2.2% stocking-stuffer return for all the good (or smart) girls and boys (shareholders) in 2020.



Growth may taper back to a more normal rate in 2021 (fourth-quarter metric appear to show a slight slowing down). Yet I am not worried. The company will still have around $160 million of available cash (after the dividend payout). With interest rates so low, it has ample capital to pursue attractive acquisition opportunities. This TSX growth stock has a great, prudent management team, software catering to disruptive secular trends, and a formula that makes loads of money consistently. All around, this makes Enghouse my top Christmas list stock for now and for the next decade to come!

P.S.: I hope Santa is good to you this year! Fool on!

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**TICKERS GLOBAL**

1. TSX:ENGH (Enghouse Systems Ltd.)

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